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June 19, 2007

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**REQUEST TO INCREASE TENANT IMPROVEMENT ALLOWANCE  
AT 600 SOUTH COMMONWEALTH AVENUE, LOS ANGELES  
(SECOND DISTRICT) (3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Authorize the Department of Public Health (DPH or Department) to increase its previously approved spending authority for Tenant Improvements (TI) at 600 South Commonwealth Avenue by \$800,000, or an increase in the Department's total lease maximum obligation for this location from \$1,800,225 to \$2,600,225. This increase of \$800,000 is 100% funded by DPH with identified Savings in the Fiscal Year (FY) 2006/07 Adopted Budget.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On April 19, 2005, your Board approved a ten-year lease with Commonwealth Enterprises (Landlord), for 103,300 square feet of office space with parking for 414 vehicles included in the base rent for DPH's: Office of AIDS Programs and Policy (OAPP), the HIV Epidemiology Program (HIV/EPI) and Maternal, Child & Adolescent Health Programs (MCAH) at an initial annual combined cost of \$2,471,634 including all parking and repayment of TI and furniture systems. These initial costs were 100% offset with grant funds. The ten-year lease will, upon its commencement, consolidate three existing leases at the 600 South Commonwealth building under the new lease with renegotiated terms and conditions.

In August 2005 OAPP received notification of a reduction of State and Federal funding. In October 2005, the Board instructed OAPP to re-evaluate its operations without reducing service levels. Consequently OAPP decided to reduce the number of floors they planned to lease by one floor (the seventh floor). The County's Chief Administrative Office (CAO) requested DPH identify other programs(s) with funding to occupy the available floor as the approved lease square footage could not be reduced. This delay required the identification of a prospective backfill user for the seventh floor and effectively placed the construction phase of the project on hold pending a revised preliminary and construction plan once a user was identified. In addition, per the requirements in the lease, commencement of the TI could not be initiated unless all construction was undertaken concurrently. There is no provision in the lease that would allow the County to reduce the scope of the project or delay a portion of the project pending the identification of a user for an unassigned floor.

DPH anticipated using the seventh floor space for newly hired staff in various DPH units under a federal Centers for Disease Control and Prevention (CDC) Public Health Preparation and Response for Bioterrorism (BT) grant. A previous plan to use Bioterrorism grant funds to renovate one of the floors at 313 North Figueroa Street for use of BT staff, when the Public Health Laboratory moved out, was found to be not feasible due to delays in completion of the new laboratory project. As such, this afforded DPH the opportunity to use the 600 South Commonwealth space for BT staff.

DPH has now identified programs with available funding to occupy the seventh floor. They include Emergency Preparedness Response Program (EPRP) Area A, EPRP Organizational Development and Training (ODT), Non-EPRD-ODT, and Health Promotion and Binational Health. As a result of the delay of the TI for the Commonwealth project and the rising cost of labor and materials, additional TI costs have been identified in the amount of \$800,000. Approximately \$150,000 may be funded through the CDC's Public Health Preparation and Response for Bioterrorism Grant. EPRP is working with CDC to finance a portion of this cost increase in their revised spending plan. If CDC financing is not approved, DPH is prepared to finance this total cost increase with identified savings in the FY 2006/07 Adopted Budget. It is imperative that this action take place this fiscal year as year end surpluses for general fund units are not retained for use in the following fiscal year. Should the proposed Board action be approved, the estimated completion date for the TI is January 2008.

#### **FISCAL IMPACT/FINANCING**

The total maximum cost of the tenant improvements includes a previously approved amount of \$1,800,225 plus up to a maximum of an additional \$800,000 for a total amount of \$2,600,225. The additional \$800,000 will be fully funded with identified savings in the FY 2006/07 Adopted Budget.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

To complete the TI project the Lessor will provide Additional TI and Discretionary TI dollars up to a maximum of \$2,600,265. A lump sum payment in an amount not to exceed \$800,000 will be paid to the Lessor upon completion and acceptance of the TI project by the County.

EPRP is working with CDC to finance a portion of this cost increase in their revised spending plan. If CDC financing is not approved, DPH is prepared to finance this total cost increase with identified savings in the FY 06/07 Adopted Budget.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

It is the finding of DPH that the proposed request to increase TI funding by an additional \$800,000 is in the best interest of the County and will adequately provide the necessary funding for this County requirement.

**CONCLUSION**

When approved, this Department requires four signed copies of the Board's action.

Respectfully submitted,



Jonathan E. Fielding, M.D., M.P.H.  
Director Health and Health Officer

JEF:MDY:GI  
Attachments

c: County Counsel  
Auditor-Controller  
Department of Public Health  
Internal Services Department  
Chief Administrative Office